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SUBJECT: JAPANESE PUBLIC REACTION TO WTO TALKS COLLAPSE

Sensitive but unclassified. Not for Internet.

¶1. (U) Summary: Japanese media and public reaction to the breakdown of WTO talks in Geneva has been mixed. Agricultural interests have expressed relief, while realizing Japan will be pressed to go further than they would like when talks resume. Business and the GOJ leadership, however, have expressed concern and a commitment to continue to work toward concluding an agreement, although skeptical a successful conclusion is possible this year. End summary.

Overview

¶2. (SBU) Japanese print and broadcast media are giving considerable attention to news from Geneva on the collapse of the WTO talks and we expect debate in industry press to continue. Several Japanese ministers have issued public statements, including Prime Minister Fukuda, Ministry of Economy, Trade and Industry (METI) Minister Amari, Ministry of Agriculture, Forestry and Fisheries (MAFF) Minister Wakabayashi, and Chief Cabinet Secretary (CCS) Machimura. Overall, and not unexpectedly given longstanding Japanese agricultural protectionist tendencies, the reactions are mixed.

Government Response

¶3. (U) PM Fukuda said, "It is very regrettable that an accord on modalities was not reached at the WTO ministerial meeting, despite more than a week of all-out effort by ministers." He also stated that, while prospects of an agreement this year have receded, Japan "will seriously consider how to promote talks based on achievements in previous negotiations." The PM added that Japan "will continue to make steady efforts toward a WTO agreement that would contribute to the healthy development of the global economy. Japan will further strengthen its farming sector, which was the subject of various discussions in the latest round of negotiations."

¶4. (U) MAFF Minister Wakabayashi sought to moderate the relief of the country's domestic agricultural interests by warning that Japan would be expected, when talks resume, to reduce the range of its sensitive products beyond what it had sought. He also suggested that Japan should seek to increase

efficiency and food self-sufficiency through measures such as consolidating farmland.

15. (U) METI Minister Amari said the collapse in the talks "deals a severe blow to Japan." CCS Machimura urged China and India to acknowledge their growing influence on, and responsibility for, the global economy. He also reiterated Japan's policy that it will pursue bilateral and plurilateral agreements to supplement the WTO.

Private Sector Response

16. (U) Agricultural interests were pleased and relieved. Some groups have issued statements, pleased that for the time being Japan has avoided liberalization without being blamed for the collapse of the talks. One statement stressed that no agreement is better than a bad agreement, and another expressed relief that Japan had escaped the "worst kind of agreement." An editorial argued that free trade is out of date now as countries are moving to manage commodity flows and protect their domestic food supplies. At the same time, two major newspapers emphasized the need for the Japanese agricultural sector to reform and improve its competitiveness.

17. (SBU) Relief was mitigated, however, by the prospect that Japan would be held to commitments, in particular on sensitive sectors, going beyond what Japan had sought. The media report Japan had hoped to hold the line at maintaining eight percent of tariff lines as sensitive products, but the

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WTO Director General's compromise plan limits such designations to only four percent. The press reported, even should Japan manage to defend the ability to classify six percent of products as sensitive, this allotment could be entirely consumed by rice, wheat and dairy products. Other politically sensitive products requiring tariff liberalization would then include: starch, peanuts and Japanese konyaku potatoes. Konyaku potatoes, for example, are particularly sensitive to Gunma prefecture, the home district of PM Fukuda, former prime ministers Nakasone, Obuchi and Fukuda.

18. (U) Industry and business interests, on the other hand, are expressing concern over the failure and the benefits foregone, particularly in developing country markets. Nikkei expressed concern about a resurgence of protectionism, and there was general coverage of potentially serious implications for Japan's and the global economy. A representative of Japan's largest business association Keidanren said, "we are extremely disappointed with the result." He elaborated that even bilateral talks with the U.S. and EU could not progress, without agricultural reforms resulting from a WTO agreement. Keidanren has identified high European tariffs on both automobiles and electrical appliances as examples barriers to Japanese products.

Why and Where Next

19. (U) Without overly stressing the point, Japanese media report the main reason for the breakdown was the inability to resolve differences between the U.S., India and China over special safeguard measures. Some articles relate claims and counter-claims with some pieces specifically saying the U.S. pressed India on its demand for looser safeguards. According to reports, India and China then retaliated by demanding the U.S. cut further domestic agricultural supports. In this context, papers note the U.S. offer to limit domestic support, but that India and China wanted still more.

110. (U) The Nikkei, noting the rise of developing members and the fact countries like India, China and Brazil have become

more assertive, concludes that there has been a shift in the balance of power in the trade community. One editorial suggested that this has been an historic moment signaling a decline in U.S. power. Another source noted, in the future, negotiations and the conclusion of agreements will be more difficult, and old approaches may no longer work.

¶11. (SBU) An additional consequence articles suggested may be renewed efforts to pursue bilateral and plurilateral agreements, and diminished expectations of the global trade system. It is a concern in light of recent commodity price volatility, and would likely hurt poor countries in particular, but that Japan could also be disadvantaged. The Asahi newspaper stressed the need to restart the talks no matter how long it takes, and that bilateral FTAs should not be seen as a substitute for strengthening the global multilateral trading system.
SCHIEFFER